BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769.	R.14-08-013 (Filed August 14, 2014)

COMMENTS OF THE CALIFORNIA CLEAN DG COALITION REGARDING DRAFT GUIDANCE FOR USE IN UTILITY AB 327 (2013) SECTION 769 DISTRIBUTION RESOURCE PLANS

Ann L. Trowbridge
DAY CARTER & MURPHY LLP
3620 American River Drive, Suite 205
Sacramento, California 95864
Telephone: (916) 246-7303
FAX: (916) 570-2525
E-mail: atrowbridge@daycartermurphy.com
Attorneys for California Clean DG Coalition

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The California Clean DG Coalition ("CCDC") files these Comments pursuant to the Assigned Commissioner's Ruling Re Draft Guidance for Use in Utility AB 327 (2013) Section 769 Distribution Resource Plans ("Draft Guidance") and the November 26, 2014 electronic ruling of Administrative Law Judge Sullivan.

CCDC is an ad hoc group interested in promoting the ability of distributed generation ("DG") system manufacturers, distributors, marketers and investors, and electric customers to deploy DG. Its members represent a variety of DG technologies including combined heat and power ("CHP"), renewables, gas turbines, microturbines, reciprocating engines, and storage.[1] Over the years, CCDC has actively participated in various California Public Utilities Commission ("Commission") proceedings relating to DG in general, and CHP in particular.[2]

1. Introduction and Summary of Position.

CCDC appreciates the opportunity to provide comments on the Draft Guidance. A number of state policies have been adopted in recent years that encourage deployment of distributed energy resources ("DER") in California. Accordingly, DER plays an increasingly important role in supporting California's distribution system and helping to ensure cost effective, reliable electric service. CCDC has followed with great interest this proceeding, which will implement the requirement in Public Utilities Code section 769 for the investor owned utilities

[1] CCDC is currently comprised of Capstone Turbine Corporation; Caterpillar, Inc.; Cummins, Inc.; DE Solutions, Inc.; EtaGen, Inc.; GE Energy; Hawthorne Power Systems; Holt of California; NRG Energy; Penn Power Systems; Peterson Power Systems; Regatta Solutions; Solar Turbines, Inc.; and Tecogen, Inc.

[2] CCDC's counsel, Ann Trowbridge, is on the service list for this proceeding as an "Information Only" party. CCDC is simultaneously filing a Motion for Party Status in this proceeding.

("IOUs") to submit distribution resource plans ("DRPs") "that recognize, among other things, the need for investment to integrate cost-effective DERs and for actively identifying barriers to the deployment of DERs … ."[3] Specifically, the Commission is authorized to approve an IOU's DRP "'as appropriate to minimize overall system costs and maximize ratepayer benefits from investments in distributed resources.'"[4]

As the Commission works to establish a new framework for distribution planning, it is critical that all DER technologies that have the potential to contribute to achieving state goals be considered in the DRP process. CCDC supports the encouragement provided in the Draft Guidance that the IOUs expand the scope of their DRPs to include any DG that can produce GHG reductions, including natural gas-fueled fuel cells, CHP and internal combustion engines.[5] Given the federal and state policies strongly supporting clean gas-fueled CHP, CCDC recommends that the Commission go one step further and require the IOUs to include clean gas-fueled CHP in their DRPs, consistent with the framework that is ultimately adopted in this proceeding.

2. The Draft Guidance Correctly Recognizes the Benefits of CHP.

As discussed in the 2012 California Energy Commission staff paper, "*A New Generation of Combined Heat and Power: Policy Planning for 2030*" ("CHP Staff Paper"), while California has a long history of policy support for CHP, other of its actions serve as barriers to CHP.[6] The CEC Staff Paper appropriately concludes that the "state's inconsistent backing of CHP … makes investors wary."[7] The result of this inconsistent treatment is that deployment of at least small CHP (*i.e.*, 20 MW and under) has not come anywhere close to reaching its potential and, in recent years, has essentially stalled.

The key missing driver in California is a clear vision statement for CHP. Officials at the highest levels of state and federal government have expressed strong support for CHP. Governor Brown has set a goal of 6500 MW for CHP.[8] President Obama issued an Executive Order calling for increased investment in industrial energy efficiency, including setting a "national goal

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3 Order Instituting Rulemaking, R.14-08-013, p. 3.
4 *Id*. (*citing* Public Utilities Code § 769(c).
5 Draft Guidance, p. 28.
6 *See* CEC web site: http://www.energy.ca.gov/2012publications/CEC-200-2012-005/CEC-200-2012-005.pdf.
7 CHP Staff Paper, p. 3.
8 Clean Energy Jobs Plan, Sec. 7 (available at: http://gov.ca.gov/docs/Clean_Energy_Plan.pdf).

of deploying 40 gigawatts of new, cost effective industrial CHP in the United States by the end of 2020."[9] While these unambiguous statements of support for CHP are helpful, and consistent with longstanding California policy encouraging CHP, they will be hard to implement without clear direction as to what role CHP is to play in California's energy system. Requiring the IOUs to include clean, gas-fueled CHP in the IOUs' DRPs would provide much needed direction.

The Draft Guidance first observes that Public Utilities Code section 769 defines "distribution resources" as "renewable," and then concludes that the DRPs must first focus on analysis of fuel cells, CHP and internal combustion engines that are fueled by renewables.[10] The Draft Guidance goes on to correctly recognize that natural gas-fueled fuel cells, CHP, and internal combustion engines have the potential to reduce GHG emissions and, therefore, encourages the IOUs to expand the scope of their DRPs to include any distributed generation that can produce GHG emissions over its lifecyle.[11]

CCDC appreciates and supports this aspect of the Draft Guidance and encourages its adoption. CCDC further recommends that the Commission take one step further and require the IOUs to include gas-fueled CHP in its DRPs. The Commission has authority to do so under Public Utilities Code section 701, which provides that the Commission " … may do all things, whether specifically designated in this part or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction."

3. Jurisdictional Scope.

CCDC also appreciates the statement of jurisdictional scope in the Draft Guidance. The Draft Guidance provides that its scope "encompasses the 'distribution system,' which is the portion of the electric supply system that operates at voltages lower than the transmission level on the 'customer side' of the distribution substation."[12] The Draft Guidance further provides that "[t]his definition puts all DER within the jurisdiction of the commission, except to the extent that distribution-connected or interoperating DER may participate in the wholesale market."[13]

CHP installed on the distribution system, including natural gas-fueled CHP installed on the customer side of the meter, provides important benefits to the grid, in addition to GHG

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9 Executive Order, "Accelerating Investment in Industrial Energy Efficiency," Sec. 2(a) (August 30, 2012).

10 Draft Guidance, p. 28.

11 *Id.*

12 Draft Guidance, p. 10.

13 *Id.*

emission reductions, which further supports the Draft Guidance recommendation, described above, that the IOUs' include natural gas-fueled CHP in their DRPs. For example, customer-side CHP may avoid transmission and distribution costs, and provides high efficiency, grid resiliency, and operating cost savings. Additionally, customer-sited CHP, as a class, provides valuable capacity to the California grid.[14]

4. Conclusion.

CCDC appreciates the Commission's consideration of these Comments. CCDC recommends that the Commission, at a minimum, adopt the provision of the Draft Guidance encouraging the IOUs to expand the scope of their DRPs to include any DG that can produce GHG reductions, including natural gas-fueled fuel cells, CHP, and internal combustion engines.[15] Additionally, CCDC recommends that the Commission go one step further and require the IOUs to include clean gas-fueled CHP in their DRPs, consistent with the framework that is ultimately adopted in this proceeding.

DATED: December 12, 2014 DAY CARTER & MURPHY LLP

By: /s/ Ann L. Trowbridge

Ann L. Trowbridge
3620 American River Drive, Suite 205
Sacramento, California 95864
Telephone: (916) 246-7303
E-mail: atrowbridge@daycartermurphy.com
Attorneys for California Clean DG Coalition

[14] The availability of CHP units varies, but is typically in the 92 – 98% range, for properly maintained and operated units.

[15] Draft Guidance, p. 28.